



**Director of
Central
Intelligence**

25X1

~~Top Secret~~

National Intelligence Daily

**Thursday
13 August 1987**

25X1

~~**Top Secret**~~

CPAS NID 87-188JX

13 August 1987

25X1

Page Denied

Top Secret



25X1

Contents

Persian Gulf: Developments	1
<div></div>	
India: Gandhi Trying To Regain Momentum	4
Syria: Muslim Brotherhood Suspected in Bombing	5
Notes	
Portugal: New Cabinet Announced	6
Brazil: Tensions With Creditors Growing	6
Nicaragua: Opposition Reacts to Peace Plan	7
USSR-Central America: Soviet Reaction to Peace Plan	7
<div></div>	
Burma: Rethinking the Socialist Economy	8
<div></div>	
Tunisia: Aftermath of Hotel Bombings	9
In Brief	10
Special Analyses	
South Korea: Strikes Cloud Political, Economic Future	12
Cuba-US: Sparring With Washington	14
Bulgaria-US: Prospects for Relations	16

25X1

25X1

25X1

25X1

Top Secret



13 August 1987

25X1

Page Denied

Next 1 Page(s) In Document Denied

Top Secret

25X1

Iranian Political Developments

Iran in its formal response to the recent UN Security Council Resolution 598 calling for an end to the Iran-Iraq war did not reject the resolution outright but condemned it for failing to incorporate Iran's demands for ending the war. The Iranians identified points they would be willing to discuss with the UN Secretary General, including chemical warfare, reparations, and identification of the aggressor.

25X1

Iran has so far responded in a low key to the French and British decisions to send minesweepers to the region. In answer to a direct question from an interviewer, Prime Minister Musavi noted only that any increased foreign presence raised tensions in the Gulf.

25X1

Comment: Iran's reluctance to reject explicitly the UN resolution or to condemn France and the UK indicates sensitivity to its political isolation. Iranian leaders probably doubt that the Western countries will act in concert against Iran and will anticipate opportunities to play them against each other.

25X1

~~Insurance Rates Rise~~

~~A minor war-risk insurance premium has been introduced for ships sailing to the UAE ports of Al Fujayrah and Khawr Fakkan on the Gulf of Oman as a result of the mines recently found outside the Persian Gulf. Premiums for ports within the Persian Gulf—which vary considerably depending on location—remain unchanged.~~

25X1

Comment: The new insurance costs are small and will have virtually no effect on the oil trade. Because insurance costs are absorbed in the delivered price of oil, the minor increase in costs will not deter tanker owners from capitalizing on current high tanker charter rates.

25X1

Top Secret

25X1

Page Denied

Next 1 Page(s) In Document Denied

Top Secret

25X1

INDIA:**Gandhi Trying To Regain Momentum**

Prime Minister Gandhi continues to revive nationalist and anti-US themes to regain grassroots support and divert attention from parliamentary inquiries into government corruption. [redacted]

25X1

[redacted] Gandhi recently alleged that a "foreign hand"—a code phrase often used for the US or Pakistan—seeks to destabilize India because of its nonaligned foreign policy. During a speech last week in his home state of Uttar Pradesh, Gandhi cited as evidence a letter published in a Soviet-sponsored newspaper—in which the late CIA Director Casey allegedly discussed options for destabilizing the Indian Government. A cabinet minister raised the issue in parliament, and the ruling Congress Party distributed copies of the letter to all its members in parliament, according to press reports and the US Embassy. Meanwhile, police arrested an alleged CIA agent last week in the southern state of Tamil Nadu. [redacted]

25X1

[redacted] Gandhi has scheduled a series of trips around India to regain grassroots support for his government and the Congress Party. Soon after signing the Indo-Sri Lankan peace accord, Gandhi addressed an enthusiastic rally in Tamil Nadu where the local population welcomed his efforts to repatriate thousands of Sri Lankan refugees. The reception to his speech in Bombay last weekend, promoting old party themes about emulating the principles of India's independence movement, was more subdued, according to the US Consulate. [redacted]

25X1

25X1

Gandhi is also publicly challenging opponents to produce evidence linking government officials to defense kickbacks from artillery deals with a Swedish manufacturer. He has repeatedly charged that the opposition seeks to delay the parliamentary investigation and obscure the truth of the arms transactions. [redacted]

25X1

Comment: Gandhi presumably designed the "foreign hand" remarks to rally an unsophisticated domestic audience, and he probably does not intend to signal dissatisfaction with Indo-US relations. He is taking the offensive to blunt the effect of the corruption scandals and to capitalize on the good will generated by the Sri Lankan accord. He almost certainly timed the effort to counter a similar speaking tour by popular former Finance Minister Singh, his leading critic on the anticorruption issue. [redacted]

25X1

The Prime Minister will continue to use populist themes long favored by the Congress Party—such as the antipoverty campaign his mother used successfully in the early 1970s—to recapture grassroots support. His lukewarm reception in Bombay, however, shows the extent of popular disaffection with his government. As a result, Gandhi may look for dramatic evidence to back his allegations of US maneuverings against India. [redacted]

25X1

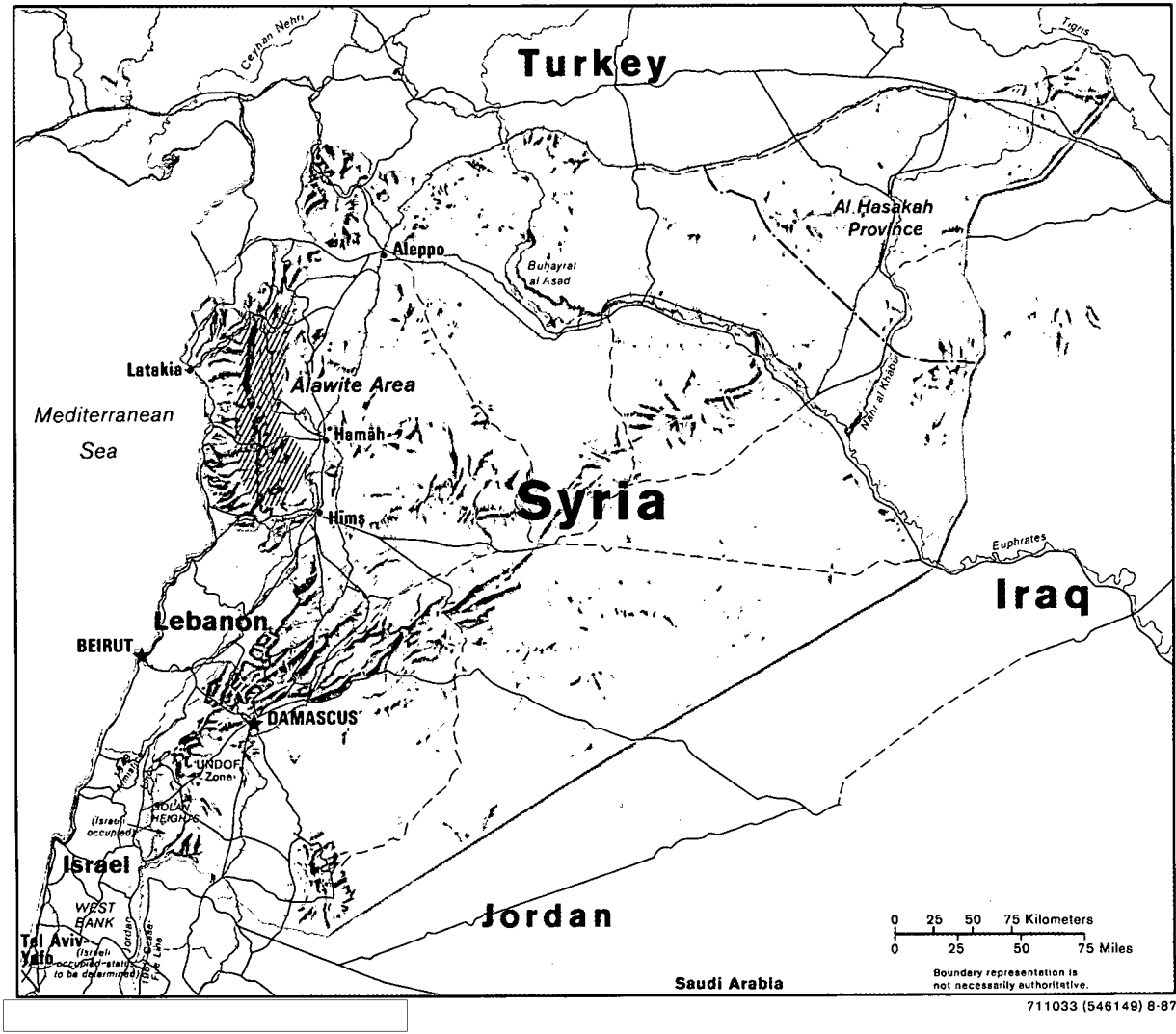
Top Secret

25X1

13 August 1987

Top Secret

25X1



Top Secret

13 August 1987

25X1

Top Secret

25X1

X

SYRIA:**Muslim Brotherhood Suspected in Bombing**

Muslim fundamentalist opponents of the Syrian regime appear to have mounted their first bomb attack in nearly a year, once again targeting military personnel. [redacted]

25X1

[redacted] late last month, a bomb exploded on a bus near Aleppo killing about 40 people, most of them soldiers. The Christian Voice of Lebanon radio carried a similar story, probably detailing the same incident, that a bomb exploded a few days earlier on a Syrian freight train traveling between Aleppo and Al Hasakah Province, killing approximately 50. The Syrian media have not mentioned the incident. [redacted]

25X1

25X1

Comment: This most recent bombing, the latest in a sporadic campaign believed to be the work of the Syrian Muslim Brotherhood, does not seriously threaten the stability of the Syrian regime. The attack appears to be similar to a series of bombings that took place in Syria between March and August last year. Most occurred in the predominantly Alawite regions around Latakia and Aleppo, but at least one took place in downtown Damascus. Nearly all the victims were Alawite soldiers, and Syria, at various times, publicly accused pro-Arafat Palestinians, Iraq, the Christian Lebanese Forces, and Israel of responsibility. [redacted]

25X1

25X1

25X1

Top Secret

25X1

Top Secret

25X1



Eurico de Melo
Deputy Prime Minister

Age 61 . . . member of Prime Minister Cavaco Silva's inner circle . . . second-ranking official in government as Minister of State and Interior Minister since 1985 . . . influence rising as result of his role in Social Democratic win in parliamentary election in July . . . good ties to US Embassy . . . took a tough line on terrorism as Interior Minister . . . former professor, textile industrialist . . . soft spoken.



Joao de Deus Pinheiro
Minister of Foreign Affairs

Age 41 . . . little experience in foreign affairs . . . former Minister of Education and Culture . . . member of ruling Social Democratic Party since 1982 . . . doctorate in chemical engineering, former rector of University of Minho.

Jose Silveira Godinho
Minister of Interior

Age 46 . . . effective during past year as Under Secretary of Defense . . . personal confidant of Cavaco Silva . . . cooperative with US officials, helped minimize adverse political effects of US security assistance reductions . . . former prominent Lisbon banker, served as Under Secretary of Finance in early 1980s . . . has worked at various international financial organizations . . . self-confident, [redacted]

25X6
25X6

313897 8-87

Top Secret

25X1

13 August 1987

25X1

Top Secret

25X1

PORTUGAL: New Cabinet Announced

Social Democratic Prime Minister Cavaco Silva's new government—essentially a shuffling of key ministers—suggests little change in Portugal's economic policies or pro-Western political course. The new Minister of Foreign Affairs, Joao de Deus Pinheiro, and the Defense Minister, Eurico de Melo, both held other cabinet posts in the previous administration, and the Interior Minister was formerly an official in the Defense Ministry. Miguel Cadilhe will retain the finance portfolio. The cabinet is to be sworn in on Monday, after the parliament approves the new government's program.

25X1

25X1

Comment: The appointment of an inexperienced foreign minister means that Cavaco Silva is likely to continue playing the leading role in foreign policy. The Prime Minister recently affirmed to US officials his desire for continuing close relations. However, he also reiterated disappointment over declining US security assistance, and other officials have hinted that Portugal might ask for a review of the US base accord next year. De Melo is a close adviser who would be particularly useful should Portugal do so. Cavaco Silva's commitment to combating terrorism is evidenced by his naming Godinho, another close associate, to the reorganized Interior Ministry. The reappointment of the Finance Minister probably means that Cavaco Silva will continue his moderately expansionary policy while emphasizing structural reform as Portugal comes to grips with EC membership.

25X1

BRAZIL: Tensions With Creditors Growing

Finance Minister Bresser has refused international bankers' requests last week for an immediate token interest payment, insisting, [redacted] that such payments are not possible until a refinancing agreement is negotiated. Press reports say Brazil is considering a further hardening of its position in response to threats by banks to withdraw short-term credits.

25X1

25X1

Comment: US bankers are concerned that unless Brazil makes an interest payment by 20 August—the six-month anniversary of its moratorium on payments—US regulators will downgrade Brazilian debt when they meet in late October, complicating prospects for the \$7.2 billion new lending package Brazil is demanding. While Brasilia may make a token payment to creditors to avoid the loss of short-term credits, it will probably stall on an IMF accord, at least until after the Constituent Assembly finishes its deliberations on the new constitution in late November.

25X1

Top Secret

25X1

13 August 1987

Top Secret

25X1

NICARAGUA: Opposition Reacts to Peace Plan

The Nicaraguan internal opposition is skeptical the Sandinistas will comply with democratization clauses in the regional peace plan signed last Friday, but it lacks a coordinated strategy for testing the regime. Some opposition political parties have called for immediate demonstrations, while others believe they should wait until the state of emergency is repealed, ~~according to the US Embassy~~. Cardinal Obando y Bravo has reacted cautiously to the peace plan but is trying to get the regime to reopen the Catholic radio station, according to press reports. Rebel Directorate member Alfonso Robelo wants insurgent political leaders to begin political activities in Nicaragua soon to test the Sandinistas, ~~according to the US Embassy in San Jose~~.

25X1

Comment: The Nicaraguan opposition—several small political parties and independent labor and private-sector groups—has been divided by personal rivalries and regime co-optation and intimidation. They will find it difficult to agree on a coordinated strategy. Although some of the more vocal groups may try to organize demonstrations, most probably will fear retaliation until the state of emergency is lifted. Robelo is not likely to return to Nicaragua soon but apparently is pressing other insurgent leaders to take advantage of any political openings.

25X1

25X1

USSR-CENTRAL AMERICA: Soviet Reaction to Peace Plan

Moscow is portraying the Central American peace agreement as a victory for regional solidarity against US policies. In a statement issued yesterday, the Soviets said they would support the plan and declared that Washington bears responsibility for the conflict if it continues its "interventionist" policies. The statement did not address Soviet support for the Sandinistas, and its only mention of Nicaragua was as one of the five signatories. *Izvestiya* characterized the plan as a "serious diplomatic defeat" for the US and congratulated the Central American states for "ignoring" the US peace plan, which it termed a heavyhanded attempt to split the negotiations. Stressing Latin American unity in supporting the plan, *Pravda* noted the "complementary" efforts of the Contadora nations.

25X1

25X1

Comment: By commending the plan as a regional initiative rather than singling out Nicaragua for praise, Moscow is trying to create an image of regional unity and to isolate the US, undoubtedly in the hope that Latin American and international support for the plan will forestall new Congressional funding for the Nicaraguan insurgents. Because the plan calls for the cessation of foreign aid to regional insurgencies only, the Soviets can and will continue their financial and military assistance to Managua and still be in compliance with the agreement.

25X1

Top Secret

25X1

Page Denied

Top Secret

25X1


25X1

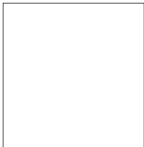



25X1

BURMA: Rethinking the Socialist Economy

25X1

Burmese Socialist Party Chairman Ne Win's recent call for drastic policy reform included references to constitutional changes if necessary to deal with Burma's seriously deteriorating economy, according to the US Embassy. 



Comment: Although Burma's economy has languished for years and there are no signs of political unrest that might have triggered such an unusual announcement, the government is under fire for sharply higher inflation and serious problems of rice distribution. With almost 90 percent of export earnings earmarked for debt service and foreign reserves only \$24 million, Rangoon has little room to maneuver. Although the speech held out the possibility of fundamental change in Burma's inefficient socialist economy, Ne Win also implied he has been misled over the years. He may be interested more in deflecting criticism than in undertaking genuine reform. The meeting may simply result in the removal or transfer of some ministers. 

25X1

25X1
25X1**Top Secret**

25X1

Page Denied

Top Secret

25X1



25X1

TUNISIA: Aftermath of Hotel Bombings

25X1

The Tunisian Government continues to crack down on the main local fundamentalist group, the Islamic Tendency Movement, following the bombings of four tourist hotels on 2 August. Security forces have made five arrests and are searching for a number of MTI leaders, according to the press. They have prohibited the wearing of Iranian-style Islamic dress and have closed prayer rooms in government buildings. The MTI denies responsibility, and a shadowy group calling itself Islamic Jihad claims it caused the blasts.

25X1

25X1

25X1

Comment: Radical Tunisian fundamentalists probably are responsible for the bombings, although not necessarily members of the MTI. The increasingly harsh treatment the government is meting out to all fundamentalists risks further violence and jeopardizes the important tourist industry, which brings in as much as a fourth of Tunisia's nonoil export earnings.

25X1

Top Secret

25X1

Top Secret

25X1

In Brief

South Asia

— First two **Indians** killed in **Sri Lanka** disarming landmine laid by Tamil insurgents, according to press . . . not likely to deter Indian military involvement

25X1

25X1

25X1

Three bombs in northern **Pakistan** ~~Tuesday~~ killed 16, injured 75 in second worst such incident this year . . . led to protests against ~~US~~ and Islamabad's support for **Afghan** resistance . . . authorities probably suspect Kabul.

25X1

25X1

Asia

Australian Prime Minister Hawke to visit **New Zealand** this year, says US Embassy in Wellington . . . first since 1984 . . . announcement likely to pad Lange's lead in election Saturday by undercutting opposition charges of Wellington's isolation.

25X1

Removal of US bases from **Philippines** to dominate **Soviet**-backed labor conference opening today in Manila . . . Soviets probably see organizing role played by traditionally anti-Soviet labor group as strengthening their antibase campaign.

25X1

25X1

Prominent **Chinese** intellectual ousted from party under pressure by hardline ideologues ~~according to Hong Kong press~~ . . . five more reformers threatened . . . hardliners' strength may be part of leadership horsetrading before party congress in October.

25X1

25X1

— **South Korea** today formally rejected **North Korea**'s proposed talks involving two Korean, US Foreign Ministers . . . restated its proposal for bilateral meeting with open agenda.

25X1

25X1

25X1

continued

25X1

Top Secret

25X1

Page Denied

Top Secret

25X1

25X1

Americas

Nicaragua's Ortega and D'Escoto flew to **Cuba** last night to discuss Central America peace accord with Castro . . . will probably also talk about coordinating strategy with **Salvadoran** guerrillas . . . Cuba has voiced support for accord.

25X1

25X1

25X1

25X1

Bolivian Government, unions at impasse over monthlong teachers' strike ~~according to US Embassy~~ . . . teachers' plan to block roads throughout country today could spark violence . . . tight budget precludes major wage concessions.

25X1

25X1

25X1

Brazilian coffee producers pressing President Sarney to oppose reintroduction of quotas

25X1

25X1

25X1

. . . producers pushing to increase coffee sales rather than raise prices.

25X1

Africa

South African police arrested about 80 mine union officials ~~yesterday, according to press~~ . . . will probably provoke outbreaks of violence between workers, security officials . . . strike in its fourth day, union leaders, mineowners no closer to resolution.

25X1

25X1

25X1

Top Secret

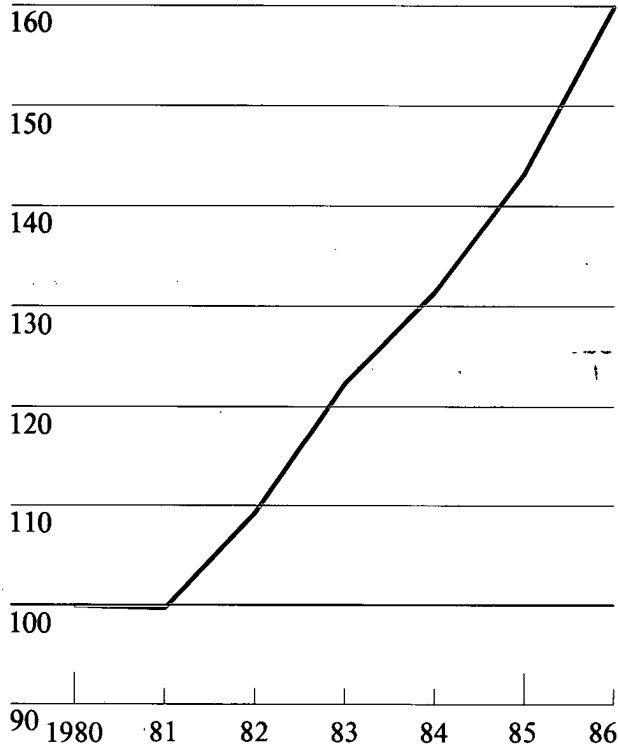
25X1

Top Secret

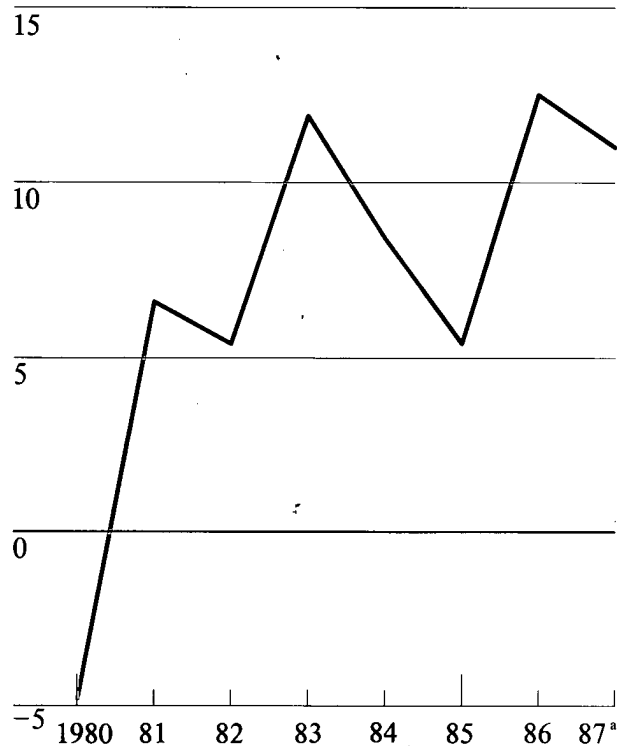
25X1

South Korea: Selected Economic Indicators

Real Wage Index
1980=100



Real GNP Growth
Percent



^a South Korean government projection.

ILLEGIB

313889 8-87

Top Secret

13 August 1987

25X1

Top Secret

25X1

Special Analysis**SOUTH KOREA:****Strikes Cloud Political, Economic Future**

Continuing labor unrest in South Korea is building pressure on Seoul to shape its economic policies for political advantage. The strife is not yet a critical problem, but, if it persists and spreads, Seoul may be forced to choose between concessions the economy cannot afford or the political costs of a crackdown.

25X1

25X1

The wave of strikes that began last month, following the ruling-camp's promises of political reform, has involved nearly 300 sites nationwide; more than half of those local strikes remain unresolved. Emboldened by the current "democratization mood," workers are demanding autonomous unions—most unions now are little more than mouthpieces for management—as well as better wages and working conditions.

25X1

South Korea's three automakers were among the first to be closed temporarily by strikes, and unrest has spread to an increasing number of smaller "upstream" suppliers, transportation workers, and miners. The Labor Minister announced early this week that work stoppages had already reduced production by an estimated \$188 million and exports by \$55 million.

25X1

The most serious economic effect to date has been the near paralysis of the port of Pusan, South Korea's main export window, because of strikes among truckers and stevedores. But clashes between police and striking miners are politically worrisome reminders of similar unrest in mining towns in 1980 that helped set the stage for the imposition of nationwide martial law.

25X1

Seoul's Response

So far, the government has responded cautiously, jawboning management to be flexible on labor demands rather than using the police to break strikes. The ruling camp is undoubtedly concerned that protracted strife will stall the economy's export engine as well as radicalize the industrial workforce. In the past, radicals have had little success in winning workers to their political agenda, according to most observers. Nonetheless, louder government calls for patience and restraint and warnings against "outside" agitators suggest Seoul is increasingly worried that the unrest might lead to a volatile alliance between students and labor.

25X1

*continued***Top Secret**

25X1

Top Secret

25X1

The prospect of facing an open presidential election contest this winter is also coloring the ruling camp's response to the unrest, spurring it to adjust economic policies to appease the 5 million blue-collar voters. Seoul's economic management team is accelerating costly social programs and is trying to appear responsive to the problem of economic disparities, which has emerged as a key political issue. Opinion polls indicate that most South Koreans believe—despite favorable income distribution statistics—that economic development has been accompanied by serious inequity—typified for most Koreans by the concentration of wealth in the hands of giant business groups. The ruling party—as well as the opposition—is highlighting economic equity goals and workers rights in its political agenda. [REDACTED]

25X1

No Easy Solutions

The strong economy gives Seoul room to address workers' demands and weather short-term work stoppages. But protracted labor problems or excessive wage hikes would undermine GNP growth and erode international confidence in South Korea as a dependable, low-cost supplier. Seoul is reluctant to get directly involved, but, as a first step toward restoring labor stability, it could decide to enforce cooling-off requirements and to arbitrate disputes directly. The government would have to think seriously before going further, however, because a crackdown on labor would sabotage the government's efforts to woo workers from the opposition; it would also give radicals fertile ground for agitation and send a damaging signal that the ruling camp was prepared to allow democratization only on its own terms. [REDACTED]

25X1

Top Secret

25X1

Top Secret

25X1

Chronology of US-Cuban Developments

Date	Event
11 December 1986	Cubans stage anti-US demonstration over US SR-71 overflight; Havana later severely restricts resupply capability of US Interests Section, reduces the flow of classified courier flights.
29 January 1987	Castro summons USINT Chief after Washington announces his withdrawal and tells him that Havana does not want the Interests Section to close.
28 May	Cuban General del Pino defects.
24 June	Castro's speech denounces del Pino as a traitor.
25 June	First Radio Marti interview with del Pino; discusses reason for his defection to the US, civilian and military discontent with the Castro regime.
29 June	Havana permits USINT one charter flight for supplies.
7 July	Havana television broadcasts the first of a series of programs entitled "The CIA's War Against Cuba."
14 July	US authorizes direct flight for Cuban athletes participating in Pan-American games.
16 July	Washington asks that two Cuban officials leave the US by 25 July.
20 July	Radio Marti broadcasts first part of del Pino's second interview; describes corruption among Cuban officials.
20 July	Cuban radio transmissions interfere with US domestic radiobroadcasting.
21 July	Radio Marti broadcasts final part of second del Pino interview.
21 July	Cuban radio transmissions again interfere with US domestic radiobroadcasting.
26 July	Castro's anniversary speech is short on anti-US rhetoric.
1 August	Cuban official tells Acting Chief of US Interests Section that radio transmissions to US on 20 and 21 July were just tests.
5 August	Havana authorizes US personnel in Havana a one-time direct access to US chartered courier flight.
7 August	First Radio Marti interview of Cuban counterintelligence officer who defected to US in early June; threatens to expose Cuban agents.
10 August	Counterintelligence officer's second interview on Radio Marti; details corruption among high-level Cuban officials.

25X1

Top Secret

13 August 1987

25X1

Top Secret

25X1

Special Analysis**CUBA-US:****Sparring With Washington**

Cuban-US relations are at their lowest point in recent years, aggravated by the defection to the US of General del Pino and Havana's subsequent media campaign alleging US spying and by use of Radio Marti to destabilize Cuba. There are indications President Castro does not want to break all ties, but his anti-US actions are likely to continue, both because he needs to divert attention from economic problems and because he appears to have concluded that relations are not likely to improve before the US presidential election.

25X1

25X1

The current deterioration in Cuban-US relations began with demonstrations last December protesting SR-71 overflights. After Washington recalled the head of the US Interests Section, Havana placed new restrictions on the Interests Section's resupply and courier flights.

25X1

The defection of several Cuban officials, most prominently General del Pino, strained relations further. Two weeks after del Pino's first interview on Radio Marti in late June, Havana began a television series detailing alleged US espionage in Cuba and increased petty harassment of US personnel. Interests Section reporting suggests the anti-US media blitz was intended to divert attention from the defections and to offset del Pino's public criticism of corruption in Cuba and Havana's policy in Angola.

25X1

Two additional interviews of del Pino on Radio Marti in late July were followed by powerful Cuban transmissions that interfered with US domestic radiobroadcasting. The Cuban press last week mounted an all-out attack on Radio Marti, stating that the US cannot expect to bombard Cuba with psychological warfare without retaliation.

25X1

Signs of Caution

Despite the increased tensions, Castro has privately and publicly signaled that he wants to avoid a break in relations with the US. Earlier this year, he told the former head of the Interests Section that he did not want the Interests Section to close. He probably would also be reluctant to lose the Cuban Interests Section in Washington. Since June, Havana has authorized a few supply and courier flights.

25X1

*continued***Top Secret**

25X1

Top Secret

25X1



Fidel Castro's response to recent tensions with the US probably marks an attempt to turn current political liabilities into propaganda successes. In the past, Castro has often deflected attention from domestic woes with bold gamesmanship in the foreign arena. He is a shrewd and calculating statesman, and his actions probably do not reflect a fundamental change in policy toward the US but appear to be tactical.

313895 8-87

25X1

Top Secret

13 August 1987

25X1

Top Secret

25X1

A Deputy Foreign Minister assured US officials that US personnel would not be expelled when the expose of alleged US spying began, and Havana did not reciprocate after the US ordered two Cuban officials to leave Washington in late July. Castro sidestepped direct attacks on the US in his speech of 26 July and avoided mentioning the espionage issue. [REDACTED]

25X1

Implications and Outlook

Castro will continue to portray Washington as a threat to Cuba's security. Cuba's grim economic situation almost guarantees he will continue his practice of using conflict with US to divert attention from domestic hardships and to arouse Cuban patriotism. [REDACTED]

25X1

He may again use radio transmissions and other harassment if he feels pressed to increase his anti-US campaign. Radio Marti's interviews this week of a Cuban counterintelligence officer almost certainly will elicit some kind of retaliation, possibly increased radio interference. However, relations would have to deteriorate further before Castro would again stage a mass exodus of refugees. [REDACTED]

25X1

Havana probably hopes for an improvement in bilateral relations after the US presidential election. Meanwhile, he will be in no hurry to resolve US complaints about radio interference, supply flights for the Interests Section, or other harassment. [REDACTED]

25X1

Top Secret

13 August 1987

25X1

Top Secret

25X1

Special Analysis**BULGARIA-US:****Prospects for Relations**

Bulgaria's need to improve economic ties to the US has increased its responsiveness to Washington's concerns on narcotics and terrorism, but Sofia's loyalty to Moscow will prevent major policy changes. [redacted]

25X1

25X1

Bulgaria over the past several years has tried to resolve several issues troubling its relations with the US. Sofia appears to have curbed the most egregious narcotics trafficking on Bulgarian soil [redacted]

25X1

The regime has also become more cooperative in reuniting divided families and in granting US Embassy officers access to senior officials. [redacted]

While Sofia has been trying to refurbish its image since the papal assassination plot in the early 1980s, economic necessity is its primary motive for improving relations. Bulgaria is angling for US support for its efforts to join GATT. Sofia also hopes for most-favored-nation trade status, which would increase export earnings, enabling it to import Western technology to revive its sluggish economy. Moreover, Sofia is looking for increased joint ventures with the US as well as US management expertise for its economic reform program. [redacted]

25X1

25X1

The moves on some issues—narcotics, terrorism, divided families—probably also are intended to smooth the way for the proposed trip to Washington next month of First Deputy Premier Lukanov, who would be the highest ranking Bulgarian visitor since World War II. When Deputy Foreign Minister Gotsev visited Washington last month, he sought to convince the US of Bulgaria's commitment to better ties and to ensure Lukanov's reception by Secretary Shultz. [redacted]

25X1

Bulgaria is traditionally Moscow's most loyal ally and will not stray far from Soviet policy goals. Its economic needs, nonetheless, probably give the US leverage to win a further modest increase in narcotics enforcement and cooperation and some additional actions to limit terrorists. [redacted]

25X1

Sofia almost certainly will remain intransigent on other important bilateral issues, particularly human rights. [redacted]

25X1

25X1

[redacted] Bulgaria's unyielding position on its brutal campaign to assimilate its large ethnic Turkish minority will not change. It is unlikely to curb important hard currency arms sales to radical Arab states. [redacted]

25X1

*continued***Top Secret**

25X1

Top Secret

25X1

US influence in Sofia will probably decline, at least for a time, when party leader Zhivkov leaves the scene.

25X6

25X6

25X6

Despite strained personal relations between Soviet party leader Gorbachev and Zhivkov, Moscow probably will not force his ouster but will heavily influence the succession. Any successor, lacking Zhivkov's long-cultivated personal power, almost certainly will be highly cautious about initiatives toward the West in order to reassure Moscow of his loyalty.

25X1

25X1

Top Secret

25X1

13 August 1987

Page Denied